

**PRAIRIE VALLEY
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2009

TABLE OF CONTENTS

	<u>Page</u>
Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis	4-12
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Assets	A 13
Statement of Activities	B 14-15
Governmental Fund Financial Statements:	
Balance Sheet	C 16
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D 17
Statement of Revenues, Expenditures and Changes in Fund Balances	E 18-19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 20
Proprietary Fund Financial Statements:	
Statement of Net Assets	G 21
Statement of Revenues, Expenses and Changes in Net Assets	H 22
Statement of Cash Flows	I 23
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Assets	J 24
Statement of Changes in Fiduciary Net Assets	K 25
Notes to Financial Statements	26-32
Required Supplementary Information:	
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund	33
Note to Required Supplementary Information - Budgetary Reporting	34
Other Supplementary Information:	<u>Schedule</u>
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	1 35
Schedule of Changes in Private Purpose Trusts	2 36
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	3 37
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	38-39
Schedule of Findings	40-42

PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
-------------	--------------	---------------------

Board of Education

(Before September 2008 Election)

Deb Doyen	President	2008
Scott Hansch	Vice President	2009
Clark Taylor		2008
Lynette Heatherington		2008
Rod Warehime		2009
Marshall Lambert		2009
Joe Harrison		2009

(After September 2008 Election)

Deb Doyen	President	2011
Marshall Lambert	Vice President	2009
Clark Taylor		2011
Brian Holmgard		2011
Rod Warehime		2009
Scott Hansch		2009
Joe Harrison		2009

School Officials

James Dick	Superintendent
Erin Frahm	District Secretary/ Treasurer

BRUCE D. FRINK

Certified Public Accountant

Independent Auditor's Report

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of
Prairie Valley Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of Prairie Valley Community School District, Gowrie, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

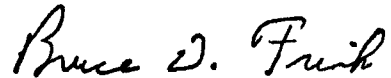
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities and each major fund of Prairie Valley Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated April 26, 2010 on our consideration of Prairie Valley Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing, of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information on pages 4 through 12 and 33 through 34 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Prairie Valley Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 3, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



BRUCE D. FRINK
Certified Public Accountant

April 26, 2010

PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Prairie Valley Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$6,702,927 in fiscal year 2008 to \$7,043,853 in fiscal year 2009, while General Fund expenditures decreased from \$7,156,959 in fiscal year 2008 to \$7,024,844 in fiscal year 2009. The District's General Fund balance increased by \$19,009.
- The decrease in expenses was due primarily to decreases in payroll and benefits.
- Increased revenues from local and federal sources accounted for the majority of the increase in revenues.
- The District's solvency ratio was minus 4% at the end of fiscal 2009. The solvency ratio is indicative of the District's ability to meet its financial obligations.
- The District is using its statewide sales and services tax money for a variety of projects as well as property tax relief.
- Resident enrollment decreased by 27.7 students. This is the fourth straight year of double digit decreases.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Prairie Valley Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Prairie Valley Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Prairie Valley Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the Student Activity and Trust Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Prairie Valley Community School District Annual Financial Report

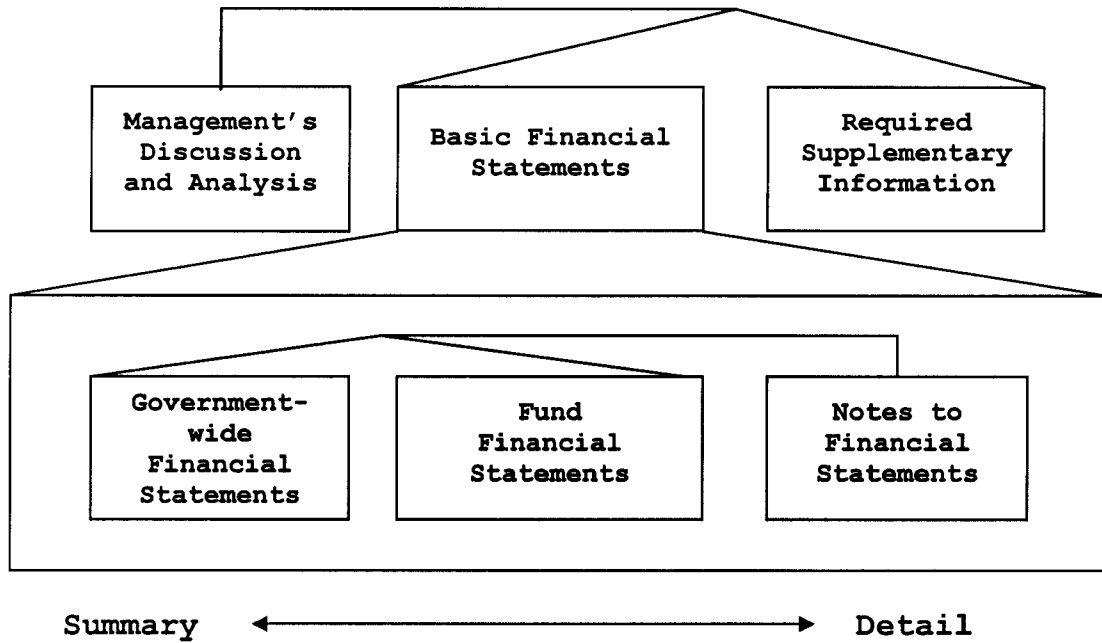


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Fund	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and day care	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The District has elected to treat all funds as "major" funds for clarity of presentation.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds and the Debt Service Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition and Day Care Funds.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2009 compared to June 30, 2008.

Figure A-3
Condensed Statement of Net Assets
(Expressed in Thousands)

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-2009
Current assets	\$ 7,590	6,981	30	32	7,620	7,013	8.66%
Capital assets	<u>5,810</u>	<u>5,501</u>	<u>43</u>	<u>49</u>	<u>5,853</u>	<u>5,550</u>	<u>5.46%</u>
Total assets	<u>13,400</u>	<u>12,482</u>	<u>73</u>	<u>81</u>	<u>13,473</u>	<u>12,563</u>	<u>7.24%</u>
Current liabilities	6,176	5,703	18	-	6,194	5,703	8.61%
Non-current liabilities	<u>-</u>	<u>300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>300</u>	<u>-100.00%</u>
Total liabilities	<u>6,176</u>	<u>6,003</u>	<u>18</u>	<u>-</u>	<u>6,194</u>	<u>6,003</u>	<u>3.18%</u>
Net Assets							
Invested in capital assets, net of related debt	5,810	5,201	43	49	5,853	5,250	11.49%
Restricted	1,446	1,346	-	-	1,446	1,346	7.43%
Unrestricted	<u>(32)</u>	<u>(68)</u>	<u>12</u>	<u>32</u>	<u>(20)</u>	<u>(36)</u>	<u>44.44%</u>
Total net assets	<u>\$ 7,224</u>	<u>6,479</u>	<u>55</u>	<u>81</u>	<u>7,279</u>	<u>6,560</u>	<u>10.96%</u>

The District's total net assets increased by 11% primarily as a result of an increase in the Capital Projects Fund. Unrestricted assets increased as a result of an increase in the General Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-4							
Changes in Net Assets							
(Expressed in Thousands)							
Governmental Activities		Business type Activities		Total School District		Total Change	
2009	2008	2009	2008	2009	2008	2008-2009	
Revenues:							
Program revenues:							
Charges for service and sales	\$ 383	412	266	189	649	601	7.99%
Operating grants, contributions and restricted interest	1,337	1,162	154	147	1,491	1,309	13.90%
General revenues:							
Property tax	3,373	3,076	-	-	3,373	3,076	9.66%
Income surtax	259	259	-	-	259	259	0.00%
Statewide sales and services tax	706	349	-	-	706	349	102.29%
Unrestricted state grants	2,390	2,597	-	-	2,390	2,597	-7.97%
Unrestricted investment earnings	95	62	-	-	95	62	53.23%
Other	52	66	-	-	52	66	-21.21%
Total revenues	8,595	7,983	420	336	9,015	8,319	8.37%
Program expenses:							
Governmental activities:							
Instruction	4,977	5,161	-	-	4,977	5,161	-3.57%
Support services	2,114	2,099	-	-	2,114	2,099	0.71%
Non-instructional programs	-	-	445	375	445	375	18.67%
Other expenses	759	964	-	-	759	964	-21.27%
Total expenses	7,850	8,224	445	375	8,295	8,599	-3.54%
Change in net assets	\$ 745	(241)	(25)	(39)	720	(280)	357.14%

Property tax and unrestricted state grants account for 64% of the total revenue. The District's expenses primarily related to instruction and support services, which account for 85% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$8,595,320 and expenses were \$7,850,235 for the year ended June 30, 2009.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses, for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-5 Total and Net Cost of Governmental Activities (Expressed in Thousands)						
	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-2009	2009	2008	Change 2008-2009
Instruction	4,977	5,161	-3.57%	3,555	3,897	-8.78%
Support services	2,114	2,099	0.71%	2,100	2,096	0.19%
Other expenses	759	964	-21.27%	475	657	-27.70%
Totals	\$ 7,850	8,224	-4.55%	6,130	6,650	-7.82%

For the year ended June 30, 2009:

- The cost financed by users of the District's programs was \$382,731.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$862,962.
- The net cost of governmental activities was financed with \$3,374,506 in property tax and \$2,389,922 in state foundation aid.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2009 were \$380,604 and expenses totaled \$409,405. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements.

The District began a Day Care which showed a profit of over \$3,000 on revenues of \$38,875.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The Prairie Valley Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the fiscal year, its governmental funds reported combined fund balances of \$1,203,441, which is 13% greater than last year's ending fund balance of \$1,068,343.

Governmental Fund Highlights

Several factors contributed to the small increase of the fund balance in the District's governmental funds. Some of these factors were unexpected; some were deliberately planned.

- The District generated over \$700,000 in statewide sales and services tax revenues. These monies are being used to offset debt service property tax asking and for infrastructure projects.
- Discretionary costs were curtailed in order to reduce the deficit.
- Enrollment decreases continue to take a toll on the District's finances.
- Midyear state aid cuts harm the District's ability to plan properly.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased approximately \$28,000 in fiscal year 2009.

The Day Care Fund increased by over \$3,000.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures.

It is the District's practice, as is in most Iowa school district, to budget expenditures at or about the maximum authorized spending. As a result, the District's total certified budget should always exceed the actual total expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District has invested more than \$5.8 million, net of accumulated depreciation by the end of fiscal year 2009 in a broad range of capital assets, including school buildings, athletic facilities, kitchen, computers and audio-visual equipment, maintenance equipment, school buses and other vehicles, library holdings, and textbooks. The District made improvements and updated equipment at all three facilities during the year. Total depreciation expenses for the year exceeded \$400,000.

Long-Term Debt

The District fully retired its long term debt in fiscal year 2009.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Decreasing enrollment is having a negative effect on the General Fund.
- To offset the impact of declining enrollment, the State has provided a budget guarantee provision for districts. This budget guarantee provision is being phased out over a 10- year period. The District was on budget guarantee for fiscal year 2008 and will continue to be on budget guarantee for several years to come. Due to previous and continued declining enrollment, the amount of this reduction due to the phase out of the budget guarantee will likely grow over the next several years.
- The District will continue monitor payroll expenses as they account for the vast majority of the budget.
- Alternative sources must continue to be found due to funding inconsistencies on the parts of the federal and state governments.
- The District will continue to be required to comply with unfunded and under funded mandates from the federal and state governments such as the Federal No Child Left Behind Act and the state Student Achievement and Teacher Quality Initiative. This will require the District to find ways to provide services in the areas of assessment and professional development, which will divert funds from other student service areas.

CONTACTING THE DISTRICT' S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Erin Frahm, District Business Manager, Prairie Valley Community School District, PO Box 49, Gowrie, Iowa 50543.

Basic Financial Statements

PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 1,738,156	3,039	1,741,195
ISCAP investments	1,891,371	-	1,891,371
Receivables:			
Property tax:			
Current year	160,316	-	160,316
Succeeding year	3,553,051	-	3,553,051
Income surtax - succeeding year	210,386	-	210,386
Due from other governments	32,308	-	32,308
Other receivables	-	45	45
ISCAP accrued interest receivable	4,470	-	4,470
Inventories	-	27,506	27,506
Capital assets, net of accumulated depreciation	5,810,271	42,973	5,853,244
Total assets	13,400,329	73,563	13,473,892
Liabilities			
Accounts payable	382,734	18,450	401,184
Accrued salaries and benefits	279,609	-	279,609
ISCAP warrants payable	1,864,000	-	1,864,000
ISCAP unamortized premium	30,077	-	30,077
ISCAP accrued interest payable	9,745	-	9,745
Deferred revenue:			
Succeeding year property tax	3,553,051	-	3,553,051
Federal programs	57,015	-	57,015
Total liabilities	6,176,231	18,450	6,194,681
Net assets			
Invested in capital assets, net of related debt	5,810,271	42,973	5,853,244
Restricted for:			
Management levy	484,590	-	484,590
Physical plant and equipment levy	43,614	-	43,614
Capital projects	917,126	-	917,126
Unrestricted	(31,503)	12,140	(19,363)
Total net assets	\$ 7,224,098	55,113	7,279,211

See notes to financial statements.

PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:	\$ 4,977,246	382,731	1,039,762	(3,554,753)	-	(3,554,753)
Support services:						
Student services	285,127	-	-	(285,127)	-	(285,127)
Instructional staff services	171,519	-	-	(171,519)	-	(171,519)
Administration services	644,515	-	-	(644,515)	-	(644,515)
Operation and maintenance of plant services	623,614	-	13,089	(610,525)	-	(610,525)
Transportation services	388,761	-	-	(388,761)	-	(388,761)
	2,113,536	-	13,089	(2,100,447)	-	(2,100,447)
Non-instructional programs:						
Community service operations	171	-	-	(171)	-	(171)
Other expenditures:						
AEA flowthrough	255,106	-	255,106	-	-	-
Long-term debt services	400	-	-	(400)	-	(400)
Long-term debt interest	6,875	-	135	(6,740)	-	(6,740)
Facilities acquisition and construction	99,878	-	29,125	(70,753)	-	(70,753)
Depreciation (unallocated)*	397,023	-	-	(397,023)	-	(397,023)
	759,282	-	284,366	(474,916)	-	(474,916)
Total governmental activities	7,850,235	382,731	1,337,217	(6,130,287)	-	(6,130,287)

PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2009

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Business type activities:						
Non-instructional programs:						
Nutrition services	409,045	226,483	154,121	-	(28,441)	(28,441)
Community education	35,836	38,875	-	-	3,039	3,039
	<u>444,881</u>	<u>265,358</u>	<u>154,121</u>	<u>-</u>	<u>(25,402)</u>	<u>(25,402)</u>
Total	<u>\$ 8,295,116</u>	<u>648,089</u>	<u>1,491,338</u>	<u>(6,130,287)</u>	<u>(25,402)</u>	<u>(6,155,689)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 2,748,004	-	2,748,004
Management levy				301,651	-	301,651
Debt service				248,569	-	248,569
Capital outlay				76,282	-	76,282
Income surtax				258,689	-	258,689
Statewide sales and services tax				705,569	-	705,569
Unrestricted state grants				2,389,922	-	2,389,922
Unrestricted investment earnings				94,606	-	94,606
Other				52,080	-	52,080
Total general revenues				<u>6,875,372</u>	<u>-</u>	<u>6,875,372</u>
Change in net assets				745,085	(25,402)	719,683
Net assets beginning of year				<u>6,479,013</u>	<u>80,515</u>	<u>6,559,528</u>
Net assets end of year				<u>\$ 7,224,098</u>	<u>55,113</u>	<u>7,279,211</u>

* This amount excludes the depreciation that is included in the direct expenses of the various programs.
See notes to financial statements.

PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2009

Assets

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Total
Cash	\$ 305,608	17,496	480,294	42,523	892,235	-	1,738,156
ISCAP investments	1,891,371	-	-	-	-	-	1,891,371
Receivables:							
Property tax:							
Current year	39,520	-	4,296	1,091	111,270	4,139	160,316
Succeeding year	3,167,426	-	300,000	85,625	-	-	3,553,051
Income surtax - succeeding year	210,386	-	-	-	-	-	210,386
Due from other governments	29,481	-	-	-	-	2,827	32,308
ISCAP accrued interest receivable	4,470	-	-	-	-	-	4,470
Total assets	\$ 5,648,262	17,496	784,590	129,239	1,003,505	6,966	7,590,058

Liabilities and Fund Balance

Liabilities:							
Accounts payable	\$ 289,389	-	-	-	86,379	6,966	382,734
Accrued payroll and benefits	279,609	-	-	-	-	-	279,609
ISCAP warrants payable	1,864,000	-	-	-	-	-	1,864,000
ISCAP unamortized premium	30,077	-	-	-	-	-	30,077
ISCAP accrued interest payable	9,745	-	-	-	-	-	9,745
Deferred revenue:							
Succeeding year property tax	3,167,426	-	300,000	85,625	-	-	3,553,051
Succeeding year income surtax	210,386	-	-	-	-	-	210,386
Federal programs	57,015	-	-	-	-	-	57,015
Total liabilities	5,907,647	-	300,000	85,625	86,379	6,966	6,386,617
Fund balances:							
Reserved for capital projects	-	-	-	-	917,126	-	917,126
Unreserved	(259,385)	17,496	484,590	43,614	-	-	286,315
Total fund balances	(259,385)	17,496	484,590	43,614	917,126	-	1,203,441
Total liabilities and fund balances	\$ 5,648,262	17,496	784,590	129,239	1,003,505	6,966	7,590,058

See notes to financial statements.

PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2009

Total fund balances of governmental funds (Exhibit C)	\$ 1,203,441
---	--------------

*Amounts reported for governmental activities in the Statement of Net Assets
are different because:*

Income surtax receivable at June 30, 2009 is not recognized as income until received in the governmental funds, however it is shown as a receivable in the Statement of Net Assets.	210,386
---	---------

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	<u>5,810,271</u>
--	------------------

Net assets of governmental activities (Exhibit A)	<u><u>\$ 7,224,098</u></u>
---	----------------------------

See notes to financial statements.

PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2009

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Total
Revenues:							
Local sources:							
Local tax	\$ 3,006,789	-	301,651	76,282	705,569	248,569	4,338,860
Tuition	316,708	-	-	-	-	-	316,708
Other	212,709	177,143	12,881	-	29,125	-	431,858
State sources	3,237,131	-	166	42	-	135	3,237,474
Federal sources	270,516	-	-	-	-	-	270,516
Total revenues	7,043,853	177,143	314,698	76,324	734,694	248,704	8,595,416
Expenditures:							
Current:							
Instruction	4,713,992	184,118	75,262	-	84,195	-	5,057,567
Support services:							
Student services	278,164	-	6,963	-	-	-	285,127
Instructional staff services	171,519	-	-	-	-	-	171,519
Administration services	644,515	-	-	-	-	-	644,515
Operation and maintenance of plant services	584,566	-	77,892	64,681	-	-	727,139
Transportation services	376,811	-	31,450	-	-	-	408,261
	2,055,575	-	116,305	64,681	-	-	2,236,561
Non-instructional programs:							
Community service operations	171	-	-	-	-	-	171

PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2009

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Total
Other expenditures:							
AEA flowthrough	255,106	-	-	-	-	-	255,106
Long-term debt:							
Services	-	-	-	-	-	400	400
Principal	-	-	-	-	-	300,000	300,000
Interest	-	-	-	-	-	7,500	7,500
Facilities acquisition and construction	-	-	-	13,499	589,514	-	603,013
	<u>255,106</u>	<u>-</u>	<u>-</u>	<u>13,499</u>	<u>589,514</u>	<u>307,900</u>	<u>1,166,019</u>
Total expenditures	<u>7,024,844</u>	<u>184,118</u>	<u>191,567</u>	<u>78,180</u>	<u>673,709</u>	<u>307,900</u>	<u>8,460,318</u>
Excess (deficiency) of revenues over (under) expenditures	<u>19,009</u>	<u>(6,975)</u>	<u>123,131</u>	<u>(1,856)</u>	<u>60,985</u>	<u>(59,196)</u>	<u>135,098</u>
Other financing sources (uses):							
Operating transfers in	-	-	-	-	-	45,682	45,682
Operating transfers (out)	-	-	-	-	(45,682)	-	(45,682)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(45,682)</u>	<u>45,682</u>	<u>-</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>19,009</u>	<u>(6,975)</u>	<u>123,131</u>	<u>(1,856)</u>	<u>15,303</u>	<u>(13,514)</u>	<u>135,098</u>
Fund balances beginning of year	<u>(278,394)</u>	<u>24,471</u>	<u>361,459</u>	<u>45,470</u>	<u>901,823</u>	<u>13,514</u>	<u>1,068,343</u>
Fund balances end of year	<u>\$ (259,385)</u>	<u>17,496</u>	<u>484,590</u>	<u>43,614</u>	<u>917,126</u>	<u>-</u>	<u>1,203,441</u>

See notes to financial statements.

PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2009

Net change in fund balances - total governmental funds (Exhibit E)	\$ 135,098
---	------------

**Amounts reported for governmental activities in the Statement of Activities
are different because:**

Income surtaxes not collected until more than 60 days after the District's fiscal year ends are not considered "available" in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.

This represents the change from FY08 to FY09	(96)
--	------

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	706,481
Depreciation expense	(397,023)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

	300,000
--	---------

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

	625
--	-----

Change in net assets of governmental activities (Exhibit B)

	<u>\$ 745,085</u>
--	-------------------

PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2009

	<u>School Nutrition</u>	<u>Day Care</u>	<u>Total</u>
Assets			
Cash and pooled investments	\$ -	3,039	3,039
Other receivables	45	-	45
Inventories	27,506	-	27,506
Capital assets	<u>42,973</u>	<u>-</u>	<u>42,973</u>
Total assets	<u>70,524</u>	<u>3,039</u>	<u>73,563</u>
Liabilities			
Accounts payable	<u>18,450</u>	<u>-</u>	<u>18,450</u>
Net assets			
Unrestricted	<u>52,074</u>	<u>3,039</u>	<u>55,113</u>
Total net assets	<u>\$ 70,524</u>	<u>\$ 3,039</u>	<u>\$ 73,563</u>

See notes to financial statements.

PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds

Year ended June 30, 2009

	<u>School Nutrition</u>	<u>Day Care</u>	<u>Total</u>
Operating revenue:			
Local sources:			
Charges for services	\$ 226,483	38,875	265,358
Operating expenses:			
Non-instructional programs:			
Food service operations:			
Salaries	135,025	-	135,025
Benefits	23,257	-	23,257
Services	3,487	-	3,487
Supplies	241,313	-	241,313
Depreciation	5,963	-	5,963
	<u>409,045</u>	<u>-</u>	<u>409,045</u>
Community service programs:			
Salaries	-	20,890	20,890
Benefits	-	2,535	2,535
Services	-	25	25
Supplies	-	12,386	12,386
	<u>-</u>	<u>35,836</u>	<u>35,836</u>
Total operating expenses	<u>409,045</u>	<u>35,836</u>	<u>444,881</u>
Operating profit (loss)	<u>(182,562)</u>	<u>3,039</u>	<u>(179,523)</u>
Non-operating revenues:			
State sources	4,423	-	4,423
Federal sources	149,698	-	149,698
	<u>154,121</u>	<u>-</u>	<u>154,121</u>
Change in net assets	(28,441)	3,039	(25,402)
Net assets beginning of year	<u>80,515</u>	<u>-</u>	<u>80,515</u>
Net assets end of year	<u>\$ 52,074</u>	<u>3,039</u>	<u>55,113</u>

See notes to financial statements.

PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2009

	School Nutrition	Day Care	Total
Cash flows from operating activities:			
Cash received from sale of services	\$ 226,438	38,875	265,313
Cash payments to employees for services	(158,282)	(23,425)	(181,707)
Cash payments to suppliers for goods or services	(211,847)	(12,411)	(224,258)
Net cash provided by (used by) operating activities	(143,691)	3,039	(140,652)
Cash flows from non-capital financing activities:			
State grants received	4,423	-	4,423
Federal grants received	127,052	-	127,052
Net cash provided by non-capital financing activities	131,475	-	131,475
Net increase (decrease) in cash and cash equivalents	(12,216)	3,039	(9,177)
Cash and cash equivalents beginning of year	12,216	-	12,216
Cash and cash equivalents end of year	\$ -	3,039	3,039
Reconciliation of operating profit (loss) to net cash provided by (used by) operating activities:			
Operating profit (loss)	\$ (182,562)	3,039	(179,523)
Adjustments to reconcile operating profit (loss) to net cash provided by (used in) operating activities:			
Depreciation	5,963	-	5,963
Commodities used	22,646	-	22,646
(Increase) in other receivables	(45)	-	(45)
(Increase) in inventory	(8,143)	-	(8,143)
Increase in accounts payable	18,450	-	18,450
	<u>\$ (143,691)</u>	<u>3,039</u>	<u>(140,652)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2009, the District received federal commodities valued at \$6,943.

See notes to financial statements.

PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2009

	Private Purpose Trusts	Agency Funds Booster Club	Total
Assets			
Cash and pooled investments	\$ 503,396	18,283	521,679
Total assets	<u>503,396</u>	<u>18,283</u>	<u>521,679</u>
Liabilities			
Other payables	-	18,283	18,283
Net Assets			
Reserved for scholarships	503,396	-	503,396
Total net assets	<u>\$ 503,396</u>	<u>-</u>	<u>503,396</u>

See notes to financial statements.

PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2009

	Private Purpose Trusts	Scholarships
Additions:		
Local sources:		
Miscellaneous	\$	502,621
Total additions		<u>502,621</u>
Deductions:		
Support services:		
Scholarships		<u>12,725</u>
Total deductions		<u>12,725</u>
Change in net assets		489,896
Net assets beginning of year		<u>13,500</u>
Net assets end of year	\$	<u><u>503,396</u></u>

See notes to financial statements.

PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2009

(1) Summary of Significant Accounting Policies

Prairie Valley Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the Cities of Gowrie, Somers, Farnhamville, Callender and Rinard, Iowa, and agricultural area in Calhoun, Greene and Webster Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Prairie Valley Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Prairie Valley Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Webster County Assessor Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The District has elected to treat all funds as major funds for clarity of presentation.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Student Activity Fund is used to account for extra curricular activities conducted on behalf of the students.

The Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

The Physical Plant and Equipment Levy Fund is utilized to account for the maintenance and equipping of the District's facilities.

The Debt Service Fund is used to account for the payment of interest and principal on the District's long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition and Day Care Funds. These funds are used to account for the food service and day care operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used for scholarship payments.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year become effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2008.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	10,000
Other furniture and equipment	10,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for employees with annual contracts corresponding to the current school year, which is payable in July, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2009.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the Government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures exceeded the amount budgeted in the non-instructional function. The District exceed its General Fund unspent authorized budget.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2009.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2009 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year \$
Governmental activities:				
Capital assets not being depreciated:				
Land	134,054	-	-	134,054
Construction in progress	-	329,728	-	329,728
	<u>134,054</u>	<u>329,728</u>	<u>-</u>	<u>463,782</u>
Capital assets being depreciated:				
Land improvements	374,283	103,525	-	477,808
Buildings	9,383,943	173,407	-	9,557,350
Furniture and equipment	3,177,567	99,821	-	3,277,388
Total capital assets being depreciated	<u>12,935,793</u>	<u>376,753</u>	<u>-</u>	<u>13,312,546</u>
Less accumulated depreciation for:				
Land improvements	374,283	4,141	-	378,424
Buildings	4,384,968	191,147	-	4,576,115
Furniture and equipment	2,809,783	201,735	-	3,011,518
Total accumulated depreciation	<u>7,569,034</u>	<u>397,023</u>	<u>-</u>	<u>7,966,057</u>
Total capital assets being depreciated, net	<u>5,366,759</u>	<u>(20,270)</u>	<u>-</u>	<u>5,346,489</u>
Governmental activities, capital assets, net	<u>\$ 5,500,813</u>	<u>309,458</u>	<u>-</u>	<u>5,810,271</u>
Business type activities:				
Furniture and equipment	\$ 143,829	-	-	143,829
Less accumulated depreciation	<u>94,893</u>	<u>5,963</u>	<u>-</u>	<u>100,856</u>
Business type activities capital assets, net	<u>\$ 48,936</u>	<u>(5,963)</u>	<u>-</u>	<u>42,973</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Unallocated	\$ 397,023
	<u>\$ 397,023</u>
Business Type activities:	
Food service operations	\$ 5,963
	<u>\$ 5,963</u>

(4) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.10% of their annual salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$278,366, \$239,034, and \$231,577 respectively, equal to the required contributions for each year.

(5) Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2009 is as follows:

	General Obligation Bonds
Balance beginning of year	\$300,000
Additions	-
Reductions	<u>300,000</u>
Balance end of year	<u>\$ -</u>

The District fully retired its outstanding general obligation bonded indebtedness during the year ending June 30, 2009.

(6) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$255,106 for year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(7) Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	<u>\$45,682</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Required Supplementary Information

PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund
Required Supplementary Information

Year ended June 30, 2009

	Governmental Fund Types	Proprietary Fund Type	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
Revenues:						
Local sources	\$ 5,087,426	265,358	5,352,784	4,833,706	4,833,706	519,078
State sources	3,237,474	4,423	3,241,897	3,676,727	3,676,727	(434,830)
Federal sources	270,516	149,698	420,214	176,000	176,000	244,214
Total revenues	<u>8,595,416</u>	<u>419,479</u>	<u>9,014,895</u>	<u>8,686,433</u>	<u>8,686,433</u>	<u>328,462</u>
Expenditures/Expenses:						
Instruction	5,057,567	-	5,057,567	5,658,150	5,658,150	600,583
Support services	2,236,561	-	2,236,561	2,969,249	2,969,249	732,688
Non-instructional programs	171	444,881	445,052	412,320	412,320	(32,732)
Other expenditures	1,166,019	-	1,166,019	1,561,631	1,561,631	395,612
Total expenditures/expenses	<u>8,460,318</u>	<u>444,881</u>	<u>8,905,199</u>	<u>10,601,350</u>	<u>10,601,350</u>	<u>1,696,151</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	135,098	(25,402)	109,696	(1,914,917)	(1,914,917)	2,024,613
Other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	135,098	(25,402)	109,696	(1,914,917)	(1,914,917)	2,024,613
Balance beginning of year	1,068,343	80,515	1,148,858	2,050,962	2,050,962	(902,104)
Balance end of year	<u>\$ 1,203,441</u>	<u>55,113</u>	<u>1,258,554</u>	<u>136,045</u>	<u>136,045</u>	<u>1,122,509</u>

See accompanying independent auditor's report.

PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2009

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2009, expenditures exceeded the amount budgeted in the non-instructional function. The District exceeded its General Fund unspent authorized budget.

Other Supplementary Information

PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2009

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Athletics	\$ 10,645	102,428	115,536	(2,463)
Cheerleaders	-	11,612	11,894	(282)
Class of 2009	2,438	398	1,497	1,339
Class of 2010	-	7,460	4,728	2,732
Class of 2012	-	-	25	(25)
Drill Team	1,086	4,267	3,141	2,212
Dramatics	200	1,748	927	1,021
FFA	2,931	13,057	13,989	1,999
FCCLA	1,319	777	1,141	955
Instrumental	460	3,310	1,769	2,001
HS Student Council	3,080	10,525	8,974	4,631
Tri M	707	620	461	866
Vocal Music	(910)	10,918	9,448	560
Yearbook	1,724	8,336	8,932	1,128
MS Student Council	791	1,687	1,656	822
Total	<u>\$ 24,471</u>	<u>177,143</u>	<u>184,118</u>	<u>17,496</u>

See accompanying independent auditor's report.

PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Private Purpose Trusts

Year ended June 30, 2009

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Belle Erickson Scholarship	\$ 3,374	123	100	3,397
William Johnson Scholarship	5,170	154	125	5,199
Evans Scholarship	-	200	200	-
George Larson Scholarship	394	4,613	4,500	507
Administration Scholarship	12	200	200	12
Nels Lindquist Scholarship	55	-	-	55
Cone Scholarship	463	102,921	3,000	100,384
Franzeen Memorial	-	394,308	4,500	389,808
Lucile Swensen Scholarship	4,032	102	100	4,034
Total	\$ 13,500	502,621	12,725	503,396

See accompanying independent auditor's report.

PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Six Years

	Modified Accrual Basis					
	2009	2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$ 4,338,860	3,665,659	3,719,267	3,650,440	3,204,132	3,474,650
Tuition	316,708	401,462	271,497	325,919	337,496	284,911
Other	431,858	415,926	448,045	465,189	300,843	344,411
State sources	3,237,474	3,312,581	2,933,000	3,033,541	3,080,538	2,782,777
Federal sources	270,516	167,650	174,707	175,394	192,841	215,793
	<u>\$ 8,595,416</u>	<u>7,963,278</u>	<u>7,546,516</u>	<u>7,650,483</u>	<u>7,115,850</u>	<u>7,102,542</u>
Expenditures:						
Instruction	\$ 5,057,567	5,260,502	4,414,486	4,355,134	4,175,869	4,249,556
Support services:						
Student services	285,127	215,322	295,054	257,714	217,938	227,298
Instructional staff services	171,519	169,072	267,356	276,775	271,524	325,358
Administration services	644,515	610,271	534,203	551,462	452,591	555,946
Operation and maintenance of plant services	727,139	698,257	728,467	756,911	659,980	667,727
Transportation services	408,261	405,809	508,023	483,942	407,869	391,701
Central support services	-	-	-	-	-	11,763
Non-instructional programs	171	470	-	-	-	3,358
Other expenditures:						
Facilities acquisition	603,013	308,616	244,556	47,524	345,857	217,662
Debt service:						
Principal	300,000	385,000	375,000	360,000	350,000	340,000
Interest and services	7,900	21,945	34,830	46,658	57,543	67,163
AEA flowthrough	255,106	250,637	241,023	231,059	233,255	235,690
	<u>\$ 8,460,318</u>	<u>8,325,901</u>	<u>7,642,998</u>	<u>7,367,179</u>	<u>7,172,426</u>	<u>7,293,222</u>

See accompanying independent auditor's report.

BRUCE D. FRINK

Certified Public Accountant

**Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards**

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of
Prairie Valley Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Prairie Valley Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated April 26, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Prairie Valley Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Prairie Valley Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Prairie Valley Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Prairie Valley Community School District's ability to initiate, authorize, record, process or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Prairie Valley Community School District's financial statements that is more than inconsequential will not be prevented or detected by Prairie Valley Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Prairie Valley Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items I-A-09 and I-B-09 are material weaknesses.

Compliance and Other Matters

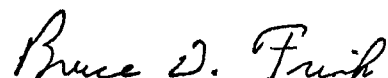
As part of obtaining reasonable assurance about whether Prairie Valley Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Prairie Valley Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Prairie Valley Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Prairie Valley Community School District and other parties to whom Prairie Valley Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Prairie Valley Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



BRUCE D. FRINK
Certified Public Accountant

April 26, 2010

PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2009

Part I: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

I-A-09 SEGREGATION OF DUTIES

Comment - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response - We will review procedures and investigate available alternatives.

Conclusion - Response acknowledged.

I-B-09 Auditor Drafting of the Financial Statements and Related Footnote Disclosures

Comment - As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. SAS 112, an auditing standard from the American Institute of Certified Public Accountants, requires auditors to communicate this situation as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and footnotes, and the responsibility of the auditor to determine the fairness of the presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the District's management. As in prior years, we have instructed management to review a draft of the auditor prepared financial statements in detail for their accuracy; we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your financial statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation - It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - We feel our review of the draft financials is adequate for us to accept this risk.

Conclusion - Response accepted.

PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2009

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-09 Certified Budget - Expenditures for the year ended June 30, 2009, exceeded the certified budget amounts in the non-instructional function. The District exceeded its unspent authorized budget for the year ended June 30, 2009 by approximately \$60,000.
- Recommendation - The District should contact the Iowa Department of Education and the School Budget Review Committee to resolve the unspent authorized budget issue. The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.
- Response - We will contact the Iowa Department of Education and the School Budget Review Committee to resolve the issue regarding the unspent authorized budget. Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.
- Conclusion - Response accepted.
- II-B-09 Questionable Expenditures - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-09 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-09 Business Transactions - No business transactions between the District and District officials or employees were noted.
- II-E-09 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-09 Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.
- II-G-09 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-H-09 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.
- II-I-09 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-J-09 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2009

Part II: Other Findings Related to Required Statutory Reporting:
(continued):

II-K-09 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance		\$	-
Statewide sales and services tax revenue			705,569
Expenditures/transfers out:			
School infrastructure:			
Equipment	\$ 84,195		
Other improvements	<u>621,374</u>		<u>705,569</u>
Ending balance		\$	<u>-</u>

II-L-09 Deficit Balance -The General Fund had a deficit balance of \$259,385 at June 30, 2009.

Recommendation - The District should continue to investigate alternatives to eliminate this deficit in order to return this fund to a sound financial condition.

Response - The District is continuing to investigate alternatives to eliminate the deficit in the General Fund at the end of the fiscal year.

Conclusion - Response accepted.